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Meridian Public School District

Audited Financial Statements
For the Year Ended June 30, 2013

Fortenberry & Ballard, PC
Certified Public Accountants

**Meridian Public School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Superintendent and School Board
Meridian Public School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Meridian Public School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Meridian Public School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

November 21, 2013

Office of the State Auditor
Contract Audits Review Section
P.O. Box 956
Jackson, MS 39205

To whom it may concern:

Enclosed are four (4) copies of the Meridian Public School District's audit report for the fiscal year ended June 30, 2013.

Respectfully,

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC

Enclosure (4)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Meridian Public School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Meridian Public School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived

from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013, on our consideration of the Meridian Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meridian Public School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 20, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The following discussion and analysis of Meridian Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net position for 2013 increased \$2,033,257, including a prior period adjustment of \$(400), which represents an 8% increase from fiscal year 2012. Total net position for 2012 increased \$4,992,700, including a prior period adjustment of \$1,091,578, which represents a 24% increase from fiscal year 2011.
- General revenues amounted to \$44,375,049 and \$44,830,299, or 76% and 74% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$14,354,516, or 24% of total revenues for 2013, and \$15,515,992, or 26% of total revenues for 2012.
- The District had \$56,695,908 and \$56,445,169 in expenses for fiscal years 2013 and 2012; only \$14,354,516 for 2013 and \$15,515,992 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$44,375,049 for 2013 and \$44,830,299 for 2012 were adequate to provide for these programs.
- Among major funds, the General Fund had \$42,410,922 in revenues and \$41,004,327 in expenditures for 2013, and \$43,512,443 in revenues and \$40,279,124 in expenditures in 2012. The General Fund's fund balance increased by \$395,734, including a prior period adjustment of \$3,292 and an increase in inventory of \$1,087, from 2012 to 2013, and increased by \$1,878,424, including a prior period adjustment of \$449 and a decrease in inventory of \$5,880, from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$926,507 for 2013 and increased by \$4,046,259 for 2012. The increase for 2013 was due primarily to the completion of the Multipurpose Building and Parkview roof project and the purchase of five new school buses and various items of furniture and equipment.
- Long-term debt increased by \$51,614 for 2013 and decreased by \$988,156 for 2012. The increase for 2013 was due primarily to the issuance of three mill notes payable during the fiscal year. The liability for compensated absences decreased by \$43,386 for 2013 and increased by \$46,291 for 2012.

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$27,721,827 as of June 30, 2013.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 1
Condensed Statement of Net Position

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Current assets	\$ 16,380,889	\$ 15,687,334	4.42 %
Restricted assets	1,751,508	1,143,741	53.14 %
Capital assets, net	<u>29,078,927</u>	<u>28,152,420</u>	3.29 %
Total assets	<u>47,211,324</u>	<u>44,983,495</u>	4.95 %
Current liabilities	727,254	584,296	24.47 %
Long-term debt outstanding	<u>18,762,243</u>	<u>18,710,629</u>	0.28 %
Total liabilities	<u>19,489,497</u>	<u>19,294,925</u>	1.01 %
Net position:			
Net investment in capital assets	12,159,702	11,279,060	7.81 %
Restricted	4,097,084	3,080,375	33.01 %
Unrestricted	<u>11,465,041</u>	<u>11,329,135</u>	1.20 %
Total net position	<u>\$ 27,721,827</u>	<u>\$ 25,688,570</u>	7.92 %

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Increase in net capital assets in the amount of \$926,507.
- The issuance of a three mill note in the amount of \$1,120,000.
- The principal retirement of \$1,025,000 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$58,729,565 and \$60,346,291, respectively. The total cost of all programs and services was \$56,695,908 for 2013 and \$56,445,169 for 2012.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 2
Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 881,197	\$ 962,986	(8.49) %
Operating grants and contributions	13,473,319	14,553,006	(7.42) %
General revenues:			
Property taxes	18,744,240	18,800,560	(0.30) %
Grants and contributions not restricted	24,341,549	25,020,513	(2.71) %
Investment earnings	20,419	14,847	37.53 %
Sixteenth section sources	200,635	216,870	(7.49) %
Other	1,068,206	777,509	37.39 %
Total revenues	58,729,565	60,346,291	(2.68) %
Expenses:			
Instruction	32,725,087	33,381,833	(1.97) %
Support services	19,177,530	18,450,970	3.94 %
Non-instructional	4,170,066	3,807,852	9.51 %
Sixteenth section	49,973	31,706	57.61 %
Interest on long-term liabilities	573,252	772,808	(25.82) %
Total expenses	56,695,908	56,445,169	0.44 %
Increase (Decrease) in net position	2,033,657	3,901,122	(47.87) %
Net Position, July 1, as previously reported	25,688,570	20,695,870	24.12 %
Prior Period Adjustment	(400)	1,091,578	(100.04) %
Net Position, July 1, as restated	25,688,170	21,787,448	17.90 %
Net Position, June 30	\$ 27,721,827	\$ 25,688,570	7.92 %

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 3
Net Cost of Governmental Activities

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 32,725,087	\$ 33,381,833	(1.97) %
Support services	19,177,530	18,450,970	3.94 %
Non-instructional	4,170,066	3,807,852	9.51 %
Sixteenth section	49,973	31,706	57.61 %
Interest on long-term liabilities	573,252	772,808	(25.82) %
Total expenses	\$ 56,695,908	\$ 56,445,169	0.44 %

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (26,729,447)	\$ (25,782,563)	3.67 %
Support services	(14,914,249)	(14,276,067)	4.47 %
Non-instructional	(81,278)	(76,100)	6.80 %
Sixteenth section	(43,166)	(21,639)	99.48 %
Interest on long-term liabilities	(573,252)	(772,808)	(25.82) %
Total net (expense) revenue	\$ (42,341,392)	\$ (40,929,177)	3.45 %

- Net cost of governmental activities (\$42,341,392 for 2013 and \$40,929,177 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$18,744,240 for 2013 and \$18,800,560 for 2012) and state and federal revenues (\$24,341,549 for 2013 and \$25,020,513 for 2012). In addition, there was \$200,635 and \$216,870 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$20,419 for 2013 and \$14,847 for 2012.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$17,599,744, an increase of \$1,144,716, which includes a prior period adjustment of \$(400) and an increase in inventory of \$1,584. \$11,236,669, or 64% of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

assigned to other funds and that has not been restricted, or assigned to specific purposes within the general fund. The remaining fund balance of \$6,363,075, or 36% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$395,734, which includes a prior period adjustment of \$3,292 and an increase in reserve for inventory of \$1,087. The fund balance of Other Governmental Funds showed an increase in the amount of \$723,536, which includes a prior period adjustment of \$(3,692) and an increase in reserve for inventory of \$497. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Fund	no increase or decrease
\$14.5M GO Bond Fund	\$ (820)
Debt Service Clearing Fund	\$ 26,266

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions made during the fiscal year were routine in nature and were insignificant when compared to total revenues and expenditures of the District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2013, the District's total capital assets were \$50,046,780, including land, construction in progress, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents an increase of \$1,752,132 from 2012. Total accumulated depreciation as of June 30, 2013, was \$20,967,853, and total depreciation expense for the year was \$1,288,872, resulting in total net capital assets of \$29,078,927.

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2013	June 30, 2012	Percentage Change
Land	\$ 486,364	\$ 486,364	0.00 %
Construction in Progress	668,868	1,598,361	(58.15) %
Buildings	18,236,815	16,567,310	10.08 %
Improvements other than buildings	7,696,195	7,695,001	0.02 %
Mobile equipment	1,256,263	1,006,744	24.78 %
Furniture and equipment	734,422	798,640	(8.04) %
Total	\$ 29,078,927	\$ 28,152,420	3.29 %

Additional information on the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2013, the District had \$18,762,243 in outstanding long-term debt, of which \$1,649,862 is due within one year. The District received proceeds from the issuance of a three mill note in the amount of \$1,120,000. Principal payments in the amount of \$1,025,000 were made during the fiscal year. The liability for compensated absences decreased \$43,386 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2013	June 30, 2012	Percentage Change
General obligation bonds payable	\$ 14,285,000	\$ 15,310,000	(6.69) %
Three mill notes payable	1,120,000	-	N/A %
Qualified school construction bonds payable	3,000,000	3,000,000	0.00 %
Compensated absences payable	357,243	400,629	(10.83) %
Total	\$ 18,762,243	\$ 18,710,629	0.28 %

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES

The Meridian Public School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

MERIDIAN PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

The District actively pursues grant funding to supplement the local, state, and federal revenues.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the Meridian Public School District, P. O. Box 31, Meridian, MS 39302.

FINANCIAL STATEMENTS

MERIDIAN PUBLIC SCHOOL DISTRICT

Statement of Net Position
June 30, 2013

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	\$	13,278,364
Due from other governments		2,583,325
Accrued interest receivable		554
Other receivables, net		365,775
Inventories		152,871
Restricted assets		1,751,508
Capital assets, non-depreciable:		
Land		486,364
Construction in progress		668,868
Capital assets, net of accumulated depreciation:		
Buildings		18,236,815
Improvements other than buildings		7,696,195
Mobile equipment		1,256,263
Furniture and equipment		734,422
Total Assets		47,211,324
Liabilities		
Accounts payable and accrued liabilities		530,655
Unearned revenue		1,998
Interest payable on long-term liabilities		194,601
Long-term liabilities, due within one year:		
Capital related liabilities		1,632,000
Non-capital related liabilities		17,862
Long-term liabilities, due beyond one year:		
Capital related liabilities		16,773,000
Non-capital related liabilities		339,381
Total Liabilities		19,489,497
Net Position		
Net investment in capital assets		12,159,702
Restricted for:		
Expendable:		
School-based activities		2,772,700
Debt service		1,119,846
Forestry improvements		41,159
Unemployment benefits		161,878
Non-expendable:		
Sixteenth section		1,501
Unrestricted		11,465,041
Total Net Position	\$	27,721,827

MERIDIAN PUBLIC SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2013

Exhibit B

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 32,725,087	\$ 437,137	\$ 5,558,503	\$ -	\$ (26,729,447)
Support services	19,177,530	97,025	4,166,256	-	(14,914,249)
Non-instructional	4,170,066	340,228	3,748,560	-	(81,278)
Sixteenth section	49,973	6,807	-	-	(43,166)
Interest on long-term liabilities	573,252	-	-	-	(573,252)
Total Governmental Activities	\$ 56,695,908	\$ 881,197	\$ 13,473,319	\$ -	\$ (42,341,392)

General Revenues:

Taxes:	
General purpose levies	16,851,377
Debt purpose levies	1,892,863
Unrestricted grants and contributions:	
State	24,341,549
Unrestricted investment earnings	20,419
Sixteenth section sources	200,635
Other	1,068,206
Total General Revenues	44,375,049

Change in Net Position 2,033,657

Net Position - Beginning, as previously reported 25,688,570
 Prior Period Adjustments (400)

Net Position - Beginning, as restated 25,688,170

Net Position - Ending \$ 27,721,827

MERIDIAN PUBLIC SCHOOL DISTRICT
Governmental Funds

Exhibit C

Balance Sheet
 June 30, 2013

	Major Funds					Total Governmental Funds
	General Fund	Title I-A Fund	\$14.5M GO Bond Fund	Debt Service Clearing Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 7,948,766	\$ -	\$ -	\$ 1,761,247	\$ 5,061,641	\$ 14,771,654
Cash with fiscal agents	-	-	-	-	1,218	1,218
Investments	-	-	-	-	257,000	257,000
Due from other governments	585,282	852,294	-	42,059	1,102,915	2,582,550
Accrued interest receivable	-	-	-	-	554	554
Other receivables, net	-	-	-	-	365,775	365,775
Due from other funds	3,598,799	-	864,705	165,900	855,176	5,484,580
Inventories	59,188	-	-	-	93,683	152,871
Total assets	\$ 12,192,035	\$ 852,294	\$ 864,705	\$ 1,969,206	\$ 7,737,962	\$ 23,616,202
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 328,539	\$ 201	\$ -	\$ -	\$ 201,915	\$ 530,655
Due to other funds	343,218	852,093	864,705	913,530	2,510,259	5,483,805
Unearned revenue	-	-	-	-	1,998	1,998
Total Liabilities	\$ 671,757	\$ 852,294	\$ 864,705	\$ 913,530	\$ 2,714,172	\$ 6,016,458
Fund Balances:						
Nonspendable:						
Inventory	59,188	-	-	-	93,683	152,871
Permanent fund principal	-	-	-	-	1,501	1,501
Restricted:						
Debt service	-	-	-	1,055,676	258,771	1,314,447
Capital projects	-	-	-	-	1,485,775	1,485,775
Forestry improvement purposes	-	-	-	-	41,159	41,159
Unemployment benefits	-	-	-	-	161,878	161,878
Other purposes	-	-	-	-	2,619,829	2,619,829
Assigned:						
Activity funds	224,421	-	-	-	-	224,421
Sixteenth section	-	-	-	-	361,194	361,194
Unassigned						
Total Fund Balances	\$ 11,520,278	\$ -	\$ -	\$ 1,055,676	\$ 5,023,790	\$ 17,599,744
Total Liabilities and Fund Balances	\$ 12,192,035	\$ 852,294	\$ 864,705	\$ 1,969,206	\$ 7,737,962	\$ 23,616,202

The notes to the financial statements are an integral part of this statement.

MERIDIAN PUBLIC SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position **Exhibit C-1**
June 30, 2013

Total fund balances for governmental funds \$ 17,599,744

Amounts reported for governmental activities in the Statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$ 486,364	
Construction in progress	668,868	
Buildings	30,480,150	
Improvements other than buildings	11,890,802	
Mobile equipment	4,083,832	
Furniture and equipment	2,436,764	
Accumulated depreciation	<u>(20,967,853)</u>	29,078,927

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(14,285,000)	
Other bonds payable	(3,000,000)	
Notes payable	(1,120,000)	
Compensated absences	(357,243)	
Accrued interest payable	<u>(194,601)</u>	(18,956,844)

Net Position of governmental activities \$ 27,721,827

MERIDIAN PUBLIC SCHOOL DISTRICT

Governmental Funds

Exhibit D

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013**

	Major Funds					Total Governmental Funds
	General Fund	Title I-A Fund	\$14.5M GO Bond Fund	Debt Service Clearing Fund	Other Governmental Funds	
Revenues:						
Local sources	\$ 17,445,432	\$ -	\$ 1,104,030	\$ 26,266	\$ 2,113,893	\$ 20,689,621
Intermediate sources	-	-	-	-	16,489	16,489
State sources	24,926,757	-	-	-	844,424	25,771,181
Federal sources	38,733	5,236,141	-	-	6,768,814	12,043,688
Sixteenth section sources	-	-	-	-	207,441	207,441
Total Revenues	42,410,922	5,236,141	1,104,030	26,266	9,951,061	58,728,420
Expenditures:						
Instruction	25,579,636	2,488,973	-	-	3,893,564	31,962,173
Support services	14,962,792	2,502,215	-	-	1,850,124	19,315,131
Noninstructional services	251,004	140,928	-	-	3,702,856	4,094,788
Sixteenth section	-	-	-	-	49,973	49,973
Facilities acquisition and construction	210,895	-	-	-	1,461,173	1,672,068
Debt service:						
Principal	-	-	625,000	-	400,000	1,025,000
Interest	-	-	478,650	-	106,050	584,700
Other	-	-	1,200	-	1,000	2,200
Total Expenditures	41,004,327	5,132,116	1,104,850	-	11,464,740	58,706,033
Excess (Deficiency) of Revenues over (under) Expenditures	1,406,595	104,025	(820)	26,266	(1,513,679)	22,387
Other Financing Sources (Uses):						
Bonds and notes issued	-	-	-	-	1,120,000	1,120,000
Insurance recovery	1,145	-	-	-	-	1,145
Payments held by escrow agent	-	-	-	-	257,000	257,000
Payment to QSCB debt escrow agent	-	-	-	-	(257,000)	(257,000)
Operating transfers in	558,275	-	-	-	2,087,336	2,645,611
Operating transfers out	(1,574,660)	(104,025)	-	-	(966,926)	(2,645,611)
Total Other Financing Sources (Uses)	(1,015,240)	(104,025)	-	-	2,240,410	1,121,145
Net Change in Fund Balances	391,355	-	(820)	26,266	726,731	1,143,532
Fund Balances:						
July 1, 2012, as previously reported	11,124,544	-	820	1,029,410	4,300,254	16,455,028
Prior period adjustments	3,292	-	-	-	(3,692)	(400)
July 1, 2012, as restated	11,127,836	-	820	1,029,410	4,296,562	16,454,628
Increase (Decrease) in inventory	1,087	-	-	-	497	1,584
June 30, 2013	\$ 11,520,278	\$ -	\$ -	\$ 1,055,676	\$ 5,023,790	\$ 17,599,744

The notes to the financial statements are an integral part of this statement.

MERIDIAN PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2013** **Exhibit D-1**

Net change in fund balances - total governmental funds **\$ 1,143,532**

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	\$ 2,245,509	
Depreciation expense	<u>(1,288,872)</u>	956,637
2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.		(30,130)
3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:		
Bonds and notes issued	(1,120,000)	
Payments of debt principal	1,025,000	
Accrued interest payable	<u>13,648</u>	(81,352)
4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:		
Change in compensated absences	43,386	
Change in inventory reserve	<u>1,584</u>	44,970
Change in Net Position of governmental activities		<u>\$ 2,033,657</u>

MERIDIAN PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Net Position
June 30, 2013

Exhibit E

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ -	\$ 2,061,951
Investments	183,629	-
Total Assets	<u>183,629</u>	<u>\$ 2,061,951</u>
Liabilities		
Accounts payable and accrued liabilities	9,498	\$ 2,011,930
Due to other funds	-	775
Due to student clubs	-	49,246
Total Liabilities	<u>9,498</u>	<u>\$ 2,061,951</u>
Net Position		
Reserved for scholarships	<u>174,131</u>	
Total Net Position	<u>\$ 174,131</u>	

MERIDIAN PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2013

Exhibit F

	Private-Purpose Trust Funds
Additions	
Interest on investments	\$ 13,524
Contributions and donations from private sources	12,000
Total Additions	<u>25,524</u>
Deductions	
Scholarships awarded	<u>9,832</u>
Total Deductions	<u>9,832</u>
Change in Net Position	<u>15,692</u>
Net Position	
July 1, 2012	<u>158,439</u>
June 30, 2013	<u>\$ 174,131</u>

Meridian Public School District

Notes to the Financial Statements
June 30, 2013

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand alone government." The school district is a related organization of, but not a component unit of, the city of Meridian since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Meridian Public School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Meridian Public School District

Notes to the Financial Statements For the Year Ended June 30, 2013

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Title I-A Fund - This is a special revenue fund that accounts for the federal revenue received and expenditures incurred related to the Title I Part A grants to local education agencies programs.

\$14.5M GO Bond Fund - This is a debt service fund that accounts for the payment of general obligation bonds.

Debt Service Clearing Fund - This fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related cost of a debt issue.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Scholarship Funds - These three (3) private purpose trust funds serve to report all trust arrangements.

Accounts Payable Clearing Fund - This fund serves as a clearing fund for payables outstanding at year end.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Fund - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

FIDUCIARY FUNDS

Private-purpose Trust Funds - Private-purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which the principal and income benefit individuals, private organizations or other governments.

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2003, issued by the U.S. Department of Education.

D. Encumbrances

An encumbrance system is maintained to account for commitments or assignments resulting from approved purchase orders, work orders and contracts. However, the school district attempts to liquidate all encumbrances at year-end. Encumbrances outstanding at year-end are not reported within committed or assigned fund balances.

E. Assets, liabilities, and net position/fund balances

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Sections 27-105-33, Miss. Code Ann.

Meridian Public School District

Notes to the Financial Statements For the Year Ended June 30, 2013

(1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. Long-term Liabilities and Deferred Debt Expense

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, assigned or unassigned. Following are descriptions of fund classifications used by the district:

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. Currently there is no committed fund balance for this school district.

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 7% of District Maintenance revenues. If the unassigned fund balance at fiscal year end

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

Note 2 - Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$14,771,654 and \$2,061,951, respectively.

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$16,833,606 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,218.

Investments

As of June 30, 2013, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
US Treasury SLGS Deposit	AAA	1 to 5	<u>\$ 257,000</u>

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2013, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of June 30, 2013, the district had the 100% of the investments on US Treasury Deposits.

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 3 - Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Fund	\$ 852,093
	\$14.5M GO Bond Fund	235,672
	Fiduciary Funds	775
	Other Governmental Funds	2,510,259
\$14.5M GO Bond Fund	Debt Service Clearing Fund	864,705
Debt Service Clearing Fund	\$14.5M GO Bond Fund	165,900
Other Governmental Funds	General Fund	343,218
	\$14.5M GO Bond Fund	463,133
	Debt Service Clearing Fund	48,825
Total		<u>\$ 5,484,580</u>

The primary purpose of the inter-fund receivables and payables was to eliminate deficit cash balances in certain federal and state programs as part of normal year end closing procedures. All balances are expected to be repaid within one year from the date of the financial statements.

B. Interfund Transfers

Transfers In	Transfers Out	Amount
General Fund	Title I-A Fund	\$ 104,025
	Other Governmental Funds	454,250
Other Governmental Funds	General Fund	1,574,660
	Other Governmental Funds	512,676
Total		<u>\$ 2,645,611</u>

The transfers were in part for indirect cost transfers and other general operating transfers. All transfers were consistent with the activities of the fund making the transfer.

Note 4 - Restricted Assets

The restricted assets represents the cash balance, totaling \$1,120,000, \$371,616 and \$1,674, respectively, of the William Dean Elementary Fund (Capital Projects), the \$14.5M 2008 Series Fund (Capital Projects) and the Sixteenth Section Principal Fund (Permanent Fund) which are legally restricted and may not be used for purposes that support the district's programs.

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

In addition, the restricted assets represent the investment balance, totaling \$106,087 and \$150,913, respectively, of the QSCB Series 2010 Asset Retirement Fund and the QSCB Series 2011 Asset Retirement Fund.

In addition, the restricted assets represent the cash with fiscal agents, totaling \$1,218 of the QSCB Series 2010 Asset Retirement Fund.

Note 5 - Capital Assets

The following is a summary of changes in capital assets for governmental activities:

	Balance 7-1-2012	Increases	Decreases	Completed Construction	Balance 6-30-2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 486,364				486,364
Construction in progress	1,598,361	1,672,068		2,601,561	668,868
Total non-depreciable capital assets	2,084,725	1,672,068	0	2,601,561	1,155,232
<u>Depreciable capital assets:</u>					
Buildings	28,306,647			2,173,503	30,480,150
Improvements other than buildings	11,462,744			428,058	11,890,802
Mobile equipment	3,949,896	415,367	281,431		4,083,832
Furniture and equipment	2,490,636	158,074	211,946		2,436,764
Total depreciable capital assets	46,209,923	573,441	493,377	2,601,561	48,891,548
<u>Less accumulated depreciation for:</u>					
Buildings	11,739,337	503,998			12,243,335
Improvements other than buildings	3,767,743	426,864			4,194,607
Mobile equipment	2,943,152	137,705	253,288		2,827,569
Furniture and equipment	1,691,996	220,305	209,959		1,702,342
Total accumulated depreciation	20,142,228	1,288,872	463,247	0	20,967,853
Total depreciable capital assets, net	26,067,695	(715,431)	30,130	2,601,561	27,923,695
Governmental activities capital assets, net	\$ 28,152,420	956,637	30,130	0	29,078,927

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 827,756
Support services	337,927
Non-instructional	123,189
Total depreciation expense	\$ 1,288,872

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

Construction in progress is composed of:

	<u>Spent to June 30, 2013</u>	<u>Remaining Commitment</u>
Governmental Activities:		
Gym renovation and addition	\$ 667,868	\$ 8,688
Land	<u>1,000</u>	<u>72,651</u>
Total	<u>\$ 668,868</u>	<u>\$ 81,339</u>

Construction in progress included in governmental activities are funded through the Sixteenth Section Principal Fund transfers to Construction Fund and the General Fund, respectively.

Note 6 - Long-Term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	<u>Balance 7-1-2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6-30-2013</u>	<u>Amounts due in one year</u>
A. General obligation bonds payable	\$ 15,310,000		1,025,000	14,285,000	1,075,000
B. Three mill notes payable	0	1,120,000		1,120,000	557,000
C. Qualified school construction bonds	3,000,000			3,000,000	0
D. Compensated absences payable	<u>400,629</u>		<u>43,386</u>	<u>357,243</u>	<u>17,862</u>
Total	<u>\$ 18,710,629</u>	<u>1,120,000</u>	<u>1,068,386</u>	<u>18,762,243</u>	<u>1,649,862</u>

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Series 2007	4.20%	08-01-07	08-01-17	\$ 5,000,000	2,325,000
Series 2008	3.25%	03-01-08	03-01-23	<u>14,500,000</u>	<u>11,960,000</u>
Total				<u>\$ 19,500,000</u>	<u>14,285,000</u>

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

1. General Obligation Bond Series 2007:

Year Ending June 30		Principal	Interest	Total
2014	\$	425,000	88,725	513,725
2015		450,000	70,350	520,350
2016		475,000	50,925	525,925
2017		475,000	30,975	505,975
2018		500,000	10,500	510,500
Total	\$	<u>2,325,000</u>	<u>251,475</u>	<u>2,576,475</u>

This debt will be retired from the \$5 Million 2007 Bond Issue Fund (#4031)

2. General Obligation Bond Series 2008:

Year Ending June 30		Principal	Interest	Total
2014	\$	650,000	458,338	1,108,338
2015		700,000	437,212	1,137,212
2016		775,000	414,465	1,189,465
2017		825,000	389,275	1,214,275
2018		1,425,000	360,400	1,785,400
2019 - 2023		7,585,000	868,000	8,453,000
Total	\$	<u>11,960,000</u>	<u>2,927,690</u>	<u>14,887,690</u>

This debt will be retired from the \$14.5 Million 2008 Bond issue fund (#4033).

Year Ending June 30		Principal	Interest	Total
2014	\$	1,075,000	547,063	1,622,063
2015		1,150,000	507,562	1,657,562
2016		1,250,000	465,390	1,715,390
2017		1,300,000	420,250	1,720,250
2018		1,925,000	370,900	2,295,900
2019 - 2023		7,585,000	868,000	8,453,000
Total	\$	<u>14,285,000</u>	<u>3,179,165</u>	<u>17,464,165</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7,

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

Miss. Code Ann. (1972) have been met. As of June 30, 2013, the amount of outstanding bonded indebtedness was equal to 4.53% of property assessments as of October 1, 2012.

B. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series 2013	1.08%	06-26-13	06-26-15	\$ 1,120,000	1,120,000

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2014	\$ 557,000	12,096	569,096
2015	563,000	6,080	569,080
Total	\$ 1,120,000	18,176	1,138,176

This debt will be retired from the Three Mill Note Debt Service Fund (#4036).

C. Qualified school construction bonds payable

As more fully explained in Note 12 debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Series A	5.56%	11-04-10	12-01-25	\$ 1,500,000	1,500,000
Series B	5.50%	02-01-11	12-01-21	1,500,000	1,500,000
				\$ 3,000,000	3,000,000

D. Compensated absences payable

As more fully explained in Note 1(E)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

Note 7 - Other Commitments

Commitments under construction contracts are described in Note 5.

Note 8 - Defined Benefit Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012, and 2011 were \$4,647,978, \$4,089,671, and \$3,895,183, respectively, which equaled the required contributions for each year.

Note 9 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

Year Ending June 30	Amount
2014	\$ 11,830
2015	11,128
2016	11,128
2017	11,128
2018	8,618
2019 - 2023	43,090
2024 - 2028	43,090
2029 - 2033	34,069
2034 - 2038	14,503
2039 and after	7,040
Total	\$ <u>195,624</u>

Note 10 - Prior Period Adjustments

A summary of significant Net Position / Fund Balance adjustments is a follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. See explanation below.	\$ <u>(400)</u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major Funds</u>	<u>Explanation(s)</u>	Amount
General Fund	Activity fund petty cash from years ago that couldn't be accounted for	\$ (400)
General Fund	Close-out of Youth Detention Center that hasn't operated since Fall of 2011	3,692
Other Governmental Funds	Close-out of Youth Detention Center that hasn't operated since Fall of 2011	<u>(3,692)</u>
Total		\$ <u>(400)</u>

Note 11 - Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The United States Treasury reimburses the District for the amount of interest paid on the principal amount.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$258,772. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

Year Ending June 30	Principal	Interest	Total
2014	\$ 257,000	165,900	422,900
2015	257,000	165,900	422,900
2016	257,000	165,900	422,900
2017	257,000	165,900	422,900
2018	257,000	165,900	422,900
2019 - 2023	1,135,500	747,000	1,882,500
2024 - 2026	322,500	250,200	572,700
Total	\$ 2,743,000	1,826,700	4,569,700

Note 13 - Insurance Loss Recoveries

The Meridian Public School District received \$1,145 in insurance loss recoveries related to vehicle damage during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as revenues.

Note 14 - Contingencies

Federal Grants - The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimately liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 15 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements.

Meridian Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2013

Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Meridian Public School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

MERIDIAN PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 17,909,580	\$ 17,445,432	\$ 17,445,432	\$ (464,148)	\$ -
State sources	24,829,740	24,926,757	24,926,757	97,017	-
Federal sources	140,000	38,733	38,733	(101,267)	-
Total Revenues	42,879,320	42,410,922	42,410,922	(468,398)	-
Expenditures:					
Instruction	26,496,792	25,579,636	25,579,636	917,156	-
Support services	15,235,899	14,962,792	14,962,792	273,107	-
Noninstructional services	295,123	249,917	251,004	45,206	(1,087)
Facilities acquisition and construction	412,000	210,895	210,895	201,105	-
Debt service:					
Other	2,000,000	-	-	2,000,000	-
Total Expenditures	44,439,814	41,003,240	41,004,327	3,436,574	(1,087)
Excess (Deficiency) of Revenues over (under) Expenditures	(1,560,494)	1,407,682	1,406,595	2,968,176	(1,087)
Other Financing Sources (Uses):					
Bonds and notes issued	2,000,000	-	-	(2,000,000)	-
Insurance recovery	-	1,145	1,145	1,145	-
Sale of other property	120,000	-	-	(120,000)	-
Operating transfers in	6,935,235	6,770,839	558,275	(164,396)	(6,212,564)
Operating transfers out	(7,903,757)	(7,787,224)	(1,574,660)	116,533	6,212,564
Total Other Financing Sources (Uses)	1,151,478	(1,015,240)	(1,015,240)	(2,166,718)	-
Net Change in Fund Balances	(409,016)	392,442	391,355	801,458	(1,087)
Fund Balances:					
July 1, 2012, as previously reported	10,182,156	11,127,836	11,124,544	945,680	(3,292)
Prior period adjustments	-	-	3,292	-	3,292
July 1, 2012, as restated	10,182,156	11,127,836	11,127,836	945,680	-
Increase (Decrease) in inventory	-	-	1,087	-	1,087
June 30, 2013	\$ 9,773,140	\$ 11,520,278	\$ 11,520,278	\$ 1,747,138	\$ -

MERIDIAN PUBLIC SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I-A Fund

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 3,800,393	\$ 5,236,141	\$ 5,236,141	\$ 1,435,748	\$ -
Total Revenues	3,800,393	5,236,141	5,236,141	1,435,748	-
Expenditures:					
Instruction	2,107,820	2,488,973	2,488,973	(381,153)	-
Support services	1,504,111	2,502,215	2,502,215	(998,104)	-
Noninstructional services	118,035	140,928	140,928	(22,893)	-
Total Expenditures	3,729,966	5,132,116	5,132,116	(1,402,150)	-
Excess (Deficiency) of Revenues over (under) Expenditures	70,427	104,025	104,025	33,598	-
Other Financing Sources (Uses):					
Operating transfers out	(70,715)	(104,025)	(104,025)	(33,310)	-
Total Other Financing Sources (Uses)	(70,715)	(104,025)	(104,025)	(33,310)	-
Net Change in Fund Balances	(288)	-	-	288	-
Fund Balances:					
July 1, 2012	-	-	-	-	-
June 30, 2013	\$ (288)	\$ -	\$ -	\$ 288	\$ -

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Meridian Public School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTARY INFORMATION

Meridian Public School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2013

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 881,246
National School Lunch Program	10.555	2,583,261
Summer Food Service Program for Children	10.559	231,237
Total Child Nutrition Cluster		<u>3,695,744</u>
Total passed-through the Mississippi Department of Education		<u>3,695,744</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>3,695,744</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	88,633
TOTAL U. S. DEPARTMENT OF DEFENSE		<u>88,633</u>
<u>U.S. DEPARTMENT OF LABOR</u>		
Passed through the Mississippi Development Authority:		
WIA Youth Activities	17.259	368,355
Total passed-through the Mississippi Development Authority		<u>368,355</u>
TOTAL U. S. DEPARTMENT OF LABOR		<u>368,355</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Direct Program		
Impact Aid	84.041	38,733
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	5,344,249
Career and Technical Education - Basic Grants to States	84.048	107,580
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	38,027
Improving Teacher Quality - State Grants	84.367	494,744
Subtotal		<u>5,984,600</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	1,830,899
Special Education - Preschool Grants	84.173	36,076
Total Special Education Cluster		<u>1,866,975</u>
Total passed-through the Mississippi Department of Education		<u>7,851,575</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>7,890,308</u>
TOTAL FOR ALL FEDERAL AWARDS		\$ <u>12,043,040</u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

Meridian Public School District

Schedule 2

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2013

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 44,196,556	34,072,774	1,314,193	2,946,623	5,862,966
Other	14,509,477	5,144,792	550,752	49,749	8,764,184
Total	<u>\$ 58,706,033</u>	<u>39,217,566</u>	<u>1,864,945</u>	<u>2,996,372</u>	<u>14,627,150</u>
Total number of students *	<u>6,104</u>				
Cost per student	<u>\$ 9,618</u>	<u>6,425</u>	<u>306</u>	<u>491</u>	<u>2,396</u>

For purpose of this schedule, the following columnar descriptions are applicable:

Instruction and other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following functions: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration categories.

* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

MERIDIAN PUBLIC SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Last Four Years

"UNAUDITED"

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 17,445,432	\$ 17,922,964	\$ 17,892,013	\$ 16,839,087
State sources	24,926,757	25,446,713	24,642,861	26,085,528
Federal sources	38,733	142,766	133,992	148,737
Total Revenues	<u>42,410,922</u>	<u>43,512,443</u>	<u>42,668,866</u>	<u>43,073,352</u>
Expenditures:				
Instruction	25,579,636	25,191,781	22,750,579	25,386,959
Support services	14,962,792	14,556,246	13,630,791	14,855,164
Noninstructional	251,004	267,924	313,676	263,696
Facilities acquisition and construction	210,895	263,173		
Debt Service:				
Principal			67,630	64,159
Interest			3,577	30,033
Total Expenditures	<u>41,004,327</u>	<u>40,279,124</u>	<u>36,766,253</u>	<u>40,600,011</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,406,595</u>	<u>3,233,319</u>	<u>5,902,613</u>	<u>2,473,341</u>
Other Financing Sources (Uses):				
Insurance loss recoveries	1,145	1,281	11,482	350,587
Sale of other property		53,600		
Operating transfers in	558,275	129,275	160,592	172,996
Operating transfers out	(1,574,660)	(1,533,620)	(1,662,311)	(1,759,013)
Total Other Financing Sources (Uses)	<u>(1,015,240)</u>	<u>(1,349,464)</u>	<u>(1,490,237)</u>	<u>(1,235,430)</u>
Net Change in Fund Balances	<u>391,355</u>	<u>1,883,855</u>	<u>4,412,376</u>	<u>1,237,911</u>
Fund Balances:				
July 1, as previously reported	11,124,544	9,246,120	4,837,234	3,730,001
Prior period adjustments	3,292	449	(635)	(121,307)
July 1, as restated	<u>11,127,836</u>	<u>9,246,569</u>	<u>4,836,599</u>	<u>3,608,694</u>
Increase (Decrease) in inventory	1,087	(5,880)	(2,855)	(9,371)
June 30,	<u>\$ 11,520,278</u>	<u>\$ 11,124,544</u>	<u>\$ 9,246,120</u>	<u>\$ 4,837,234</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

MERIDIAN PUBLIC SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Funds
Last Four Years

"UNAUDITED"

	2013	2012*	2011*	2010*
Revenues:				
Local sources	\$ 20,689,621	20,500,465	20,063,034	19,217,117
Intermediate sources	16,489	35,996		
State sources	25,771,181	26,408,808	25,624,365	27,149,900
Federal sources	12,043,688	13,157,952	15,817,190	15,072,169
Sixteenth section sources	207,441	226,936	196,251	163,821
Total Revenues	<u>58,728,420</u>	<u>60,330,157</u>	<u>61,700,840</u>	<u>61,603,007</u>
Expenditures:				
Instruction	31,962,173	32,973,611	33,345,470	35,614,545
Support services	19,315,131	20,388,610	18,448,005	21,382,936
Noninstructional services	4,094,788	3,725,526	4,159,593	4,101,865
Sixteenth section	49,973	31,706	32,601	30,872
Facilities acquisition and construction	1,672,068	1,502,994	95,367	3,164,527
Debt service:				
Principal	1,025,000	1,034,447	3,547,919	1,075,164
Interest	584,700	772,191	664,670	730,875
Other	2,200	17,362	18,425	2,588
Total Expenditures	<u>58,706,033</u>	<u>60,446,447</u>	<u>60,312,050</u>	<u>66,103,372</u>
Excess (Deficiency) of Revenues over Expenditures	<u>22,387</u>	<u>(116,290)</u>	<u>1,388,790</u>	<u>(4,500,365)</u>
Other Financing Sources (Uses):				
Proceeds of loans	1,120,000		3,000,000	
Insurance loss recoveries	1,145	1,281	11,482	350,587
Sale of other property		53,600		
Payments held by QSCB escrow agent	257,000			
Payment to QSCB debt escrow agent	(257,000)			
Payments held by QZAB debt escrow agent			96,697	142,000
Payment to QZAB debt escrow agent			(96,697)	(142,000)
Other financing sources			101	1,538
Operating transfers in	2,645,611	1,662,895	1,822,903	2,652,523
Operating transfers out	(2,645,611)	(1,662,895)	(1,822,903)	(2,652,523)
Other financing uses			(101)	
Total Other Financing Sources (Uses)	<u>1,121,145</u>	<u>54,881</u>	<u>3,011,482</u>	<u>352,125</u>
Net Change in Fund Balances	<u>1,143,532</u>	<u>(61,409)</u>	<u>4,400,272</u>	<u>(4,148,240)</u>
Fund Balances:				
July 1, as previously reported	16,455,028	16,513,488	11,611,645	15,756,675
Prior period adjustments	(400)	999	528,379	(7,850)
July 1, as restated	<u>16,454,628</u>	<u>16,514,487</u>	<u>12,140,024</u>	<u>15,748,825</u>
Increase (Decrease) in inventory	1,584	1,950	(26,808)	11,060
June 30,	<u>\$ 17,599,744</u>	<u>16,455,028</u>	<u>16,513,488</u>	<u>11,611,645</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Meridian Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Meridian Public School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Meridian Public School District's basic financial statements, and have issued our report thereon dated November 20, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the school district's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Meridian Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management, the school board, others within the entity, and entities with accreditation overview, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 20, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
REQUIRED BY OMB CIRCULAR A-133

Report on Compliance for Each Major Federal Program

We have audited Meridian Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Meridian Public School District's major federal programs for the year ended June 30, 2013. The Meridian Public School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Meridian Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

In our opinion, the Meridian Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the Meridian Public School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Meridian Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of out testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended solely for the information and use of management, the school board, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
November 20, 2013

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Superintendent and School Board
Meridian Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Meridian Public School District as of and for the year ended June 30, 2013, which collectively comprise Meridian Public School District's basic financial statements and have issued our report thereon dated November 20, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$10,119 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

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The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
November 20, 2013

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Meridian Public School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unqualified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
17.259	WIA Youth Activities
84.367	Improving Teacher Quality - State Grants

8. Dollar threshold used to distinguish between type A and type B programs: \$361,291.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

The results of our tests did not disclosed any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.

